

Severstal Seeks \$4Bln Valuation for Gold Unit in IPO

By [The Moscow Times](#)

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Mordashov has been buying gold assets abroad in preparation for the IPO. **Alexander Zemlianichenko Jr.**

Severstal plans a fourth-quarter London listing of its gold unit that would value the business at about \$4 billion, a person familiar with the matter said Wednesday.

The initial public offering will help fund the unit's future expansion, both through deals and organic growth, and will see Severstal retain a majority stake of roughly 65 to 70 percent, the person said.

Worries that inflation could quicken, coupled with an uncertain economic outlook, have helped push gold prices to a string of record highs in nominal terms, which do not adjust for inflation.

The precious metal was trading at nearly \$1,300 an ounce on Wednesday.

The listing is being handled by sole sponsor Morgan Stanley, joined by joint global co-ordinator Credit Suisse, and joint bookrunner Troika Dialog, the person added.

Severstal, which is Russia's largest steel producer, Credit Suisse and Morgan Stanley declined to comment. Troika had no immediate comment.

Severstal is controlled by Alexei Mordashov, who was ranked by Finans magazine earlier this year as Russia's ninth richest man with an estimated \$10 billion fortune.

The company has pushed into gold as its core steel operation reels from the global economic slowdown and from the greater use of other metals such as aluminum in manufacturing.

Russia is the world's third-largest steel producer, but Severstal's overseas divisions have dragged on the company.

Nomura analysts estimated last week that the gold unit was worth \$3 billion to \$3.6 billion and said a spinoff could "unlock value" for Severstal.

The parent trades at about 3.5 times estimated 2011 earnings before interest, tax, depreciation and amortization, while the unit could be valued at 8 to 10 times EBITDA, the Nomura analysts said.

Severstal has gold mines in Russia, Kazakhstan and Burkina Faso. This year it has gradually raised its stake in Crew Gold, the Canadian-listed miner with operations in Guinea, West Africa, to more than 93 percent.

In March, Barrick Gold listed its Tanzanian gold mines in London as African Barrick Gold Plc. Glencore, the world's biggest commodities trader, is planning to spin off or list its gold assets, which could be worth more than \$5 billion.

☒ *(Reuters, Bloomberg)*

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